THE GAME FOR REGIONAL HEGEMONY: CHINA’S OBOR AND INDIA’S STRATEGIC RESPONSE

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Introduction

The Chinese have always felt the historic ownership of the Silk Road and that was valiantly challenged by the former US Department of State, Hillary Clinton during her speech in Chennai, India on 20th July 2011 when she remarked, “‘New Silk Road’ is a long-term vision of an international economic and transit network that links Central and South Asia, with Afghanistan at its heart” (US Department of State 2011). The Chinese establishment was completely perplexed as Hillary Clinton had used the term Silk Road to explain the ‘US policy’. They considered as if they were being robbed of their history of more than 2000 years which signified their commercial ties with the outside world and provided a lifeline to Chinese economy.

Source: Silkroutes.net (2017)

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Ferdinand von Richthofen, a renowned German geographer and traveler in 1877 after his expedition to China had formally referred to the network of trade routes established by the Han dynasty as ‘Seidenstrasse’ (Silk Road) or ‘Seidenstrassen’ (Silk Routes). This network of trade routes had been in use since 130 BC but came to an abrupt end in 1453 AD as the Ottoman empire boycotted the trade with the west. Thereafter, the ancient silk routes lost its regional importance on account of political and military disruptions, changing geo-political conditions across Eurasia and the discovery of new sea routes by the western nations.

The ancient silk routes criss-crossed the trade routes stretching from China to Britain, covering the whole of Eurasia while crossing through India, Asia Minor, Mesopotamia, Egypt, Eastern Africa, Greece and Rome. It derived the name Silk Road from the famous Chinese silk which was the most sought commodity in Egypt, Greece and particularly in Rome.

Maritime trade has also been an important branch of this global trade network famously known as the Spice Roads for supplying spices from the region to the world while covering more than “15,000 kilometers (km) from the west coast of Japan, past the Chinese coast, through South East Asia, and past India to reach the Middle East and so to the Mediterranean” (UNESCO 2017). It connected the Chinese civilization with the Indus Valley civilization, Mesopotamian civilization and the Arabian Peninsula. As a result, coastal cities of Goa, Muscat, Alexandria and Zanzibar became rich centers for exchange of commodities, ideas, language, customs and beliefs.

Thus, the ancient silk routes not only connected East with the West for exchange of goods but also led to the cultural and intellectual exchanges thereby establishing hubs of culture on the way. These routes played a crucial role in spreading of different religions across Eurasia. Buddhism, Christianity, Hinduism and Islam spread the same way as travelers absorbed the cultures they encountered and then carried them back to their homelands with them.

China’s Peaceful Rise

China’s supreme leader, Deng Xiaoping in the background of domestic difficulties coupled with isolation in the international arena due to the ‘Tiananmen Square massacre’ pronounced the doctrine of tao guang yang hui (TGYH) in 1989 to describe the Chinese foreign policy. He stated, “When it comes to international situation, three sentences can summarize it. First, we should observe calmly. Second, we should secure our position. Third, we
should cope with affairs calmly” (Chen and Wang 2011, 197). Deng used the exact phrase TGYH in 1992 when he pronounced, “We will only become a big political power if we keep a low profile (TGYH) and work hard for some years; and we will have more weight in international affairs” (ibid) in short “keep a low profile and never take the lead” (Guo 2006, 2).

China made efforts to change its image and win friends in the international community with TGYH becoming a well adopted strategy of China’s foreign policy in the new millennium fueled with fast economic growth and supplemented by rich civilizational history. In this regard, China contributed in the UN peacekeeping missions, took lead in establishing Shanghai Cooperation Organization (SCO) and emerged as a key player in the launch of BRIC(S). No wonder TGYH has played a crucial role in China’s ‘peaceful rise’ considering the troubled past.

The theory was slightly modified in 2004 to ‘Peaceful Development’, as China tried to re-assure the western world along with the neighbors that her rise will not be a threat to them and others can also benefit from China’s peaceful development.

During the second term of Hu Jintao’s presidency (2008-2013), the idea of ‘China Dream’ had already started taking shape. Li Junru, the Vice-President of the Party School of the Central Committee of the Chinese Communist Party (CCP) was of the opinion that for re-storing China’s place in the world, higher standard of living and China’s economic development were essential components for achieving the status of ‘rich and powerful country’. In this regard, President Jintao shelved the original plans of ‘putting people first’ and ‘creating a harmonious society’ due to the world financial crisis. China’s rising income inequalities and regional imbalances were left on the backburner in order to ensure the momentum of the Chinese economy. To propagate the hopes of a resurgent and prosperous China, three mega-events were orchestrated – “the 2008 Beijing Olympics presented China as a soft superpower, the National Day military parade in 2009 reminded everyone that China also has hard power, and the Shanghai World Expo in 2010 was billed as the ‘Olympics for Culture, Economy and Technology’” (Callahan 2013, 125).

The concept of ‘China Dream’ in mind and the confidence oozing out of successful experiment of peaceful development forced China to have a re-look at the doctrine of TGYH in the era of globalization. China by virtue of being an economic power-house combined with enhanced military capabilities aspires to be a ‘great power’. The Chinese are of the belief that by 2020 they have an historic opportunity to become a relatively wealthy economy and one of the most powerful country. They aim to achieve this status by way of, “settling border issues with neighboring countries”, “increasing economic re-
lations with countries in the region” and by “becoming members of western and regional institutions, including the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation forum (APEC), and the Association of Southeast Asian Nations (ASEAN)” (Pan 2006).

Just after assuming the charge of the party chief of CCP in November 2012 and set to be the next President in March 2013, Xi Jinping announced his epic vision to make ‘China Great Again’ while calling for the ‘great rejuvenation of the Chinese nation’. He prescribed deadlines for achieving ‘Two Centennial Goals’. First, to build a moderately prosperous society by 2021, when they celebrate the 100th anniversary of the CCP and; the second to become a fully developed, rich, and powerful nation by the 100th anniversary of the People’s Republic in 2049.

In order to make the country great again, the Chinese dream consists of four parts notably “Strong China; Civilized China; Harmonious China; Beautiful China” (Kuhn 2013). However, the method to realize the said dream remains same i.e. public discussions continue to remain banned on “seven unmentionables” namely, “universal values, press freedom, civil society, citizens’ rights, the party’s historical mistakes, the notion of a privileged capitalist class and independence of the judiciary” (Ferdinand 2016, 945).

It is important to note the usage of the word ‘Rejuvenation’ instead of ‘Rise’ which clearly highlights the Chinese ambition to re-claim the lost international status and power instead of achieving something new. There is a “close connection between the rejuvenation of the Chinese nation and China’s becoming a world power. If China does not become a world power, the rejuvenation of the Chinese nation will be incomplete. Only when it becomes a world power can we say that the total rejuvenation of the Chinese nation has been achieved” (Zicheng, 2011, 74).

In order to achieve this rejuvenation, Dr. Wang Yiwei, of Renmin University sought the renewal of Chinese ties with ‘Eurasia’ in accordance to the Heartland Theory of Halford Mackinder – the father of modern geopolitics who stated, “Who rules East Europe commands the Heartland; who rules the Heartland commands the World Island; who rules the World Island commands the World” (Fallon 2015, 142) whereby the ‘World Island’ comprises of inter-linked continents of Europe, Asia, and Africa.
One Belt One Road (OBOR) Initiative

The One Belt One Road (OBOR) initiative was first introduced to the world in 2013 by President, Xi Jinping on his state visit to Kazakhstan. Since, the Chinese government is attempting to revive the Silk Road of ancient times through this initiative, it also being labelled as the ‘Modern-day Silk Road’. In this context, China’s “‘Belt and Road’ initiative sits well with Xi’s ‘China dream’ of ‘great rejuvenation of the nation’, as it is an expression of China’s confidence and international clout” (Fallon 2015, 141). China’s rise as a global economic power-house can be realized from the fact that ever since 2010, China has been the “second largest economy in the world, largest exporter and the second largest importer in goods, the third largest source of outbound foreign direct investment, and the owner of the largest foreign exchange reserve” (Du 2016, 33).

The OBOR initiative led by China will bind together 65 countries and their 4.4 billion people with a collective GDP of $21 trillion (one-third of the world’s wealth). It aims to “forge closer economic ties, deepen cooperation, and expand development in the Euro-Asia region” (Zimmerman 2015, 6) on the belief that increased connectivity has become the recipe for international development and stability resulting into ‘win-win’ cooperation. China through this initiative aspires to create a ‘network of infrastructure’
comprising of roads, rail, ports, electricity and energy. China has described the initiative as a mechanism to promote peace and stability in the region by strengthening its bi-lateral relations with neighbors rather than expanding its own influence in the region. However, some countries do share an opinion that OBOR initiative is a means of advancing China’s regional, geopolitical and security interests.

At times, OBOR initiative is compared to the United States’ administered ‘Marshall Plan’ which had two agendas i.e. to re-build the devastated economies of West Europe after the end of Second World War and to check the spread of Communism. In contrast, OBOR initiative appears to be “entirely a mercantile endeavor, designed to fortify China’s economic interests around the world and open business opportunities for Chinese companies enduring a slowdown at home” (Djankov 2016, 4). The only difference being, earlier it was done on bi-lateral terms and now it has acquired a global strategy with a larger geographical space to cover. Even though this initiative has been “motivated by concerns about slowing domestic growth and a desire to boost China’s global influence” it “has the potential to help solve a global infrastructure gap” and promote “growth in developing countries while boosting trade and generating investor returns” (Hancock 2017).

In the opinion of President Xi Jinping, the revival of the ancient silk route that linked the Eastern and Western cultures across Eurasia might help him achieve his dream to make ‘China Great Again’. For this revival, the OBOR initiative plans to “weave Asia, Europe, Africa, and the Middle East closer together by constructing investment and trade networks using hyper-efficient infrastructure and new institutional linkages” (Villafuerte, Corong and Zhuang 2016). There have been several reasons for China to promote the OBOR initiative: to secure energy supplies, the low transportation cost, the search for new markets, to find outlets for Chinese companies abroad, among others.
China is the world’s largest net importer of crude oil and in order to meet its demand, it is constantly looking for new suppliers. In this regard, China sealed a deal with Russia in 2014 for 30-years of Russian gas at the cost of $400 billion. In 2016, while 57 percent of China’s energy requirements were met by the members of Organization of the Petroleum Exporting Countries (OPEC), the rest were met by non-OPEC countries. Therefore, with increased energy supply from non-OPEC countries, the new pipelines being established in Central Asia and Russia acquire immense significance.

In accordance to the 2015 Vision document of OBOR, the two Silk Routes via land and sea would “aim to connect the vibrant East Asia economic circle at one end and developed European economic circle at the other” in the hope that the new markets will allow “Chinese companies to keep expanding even while domestic demand slows” but it could be possible only by “reducing transportation costs and potentially lowering tariffs, paving the way for Chinese goods to make a more competitive entry into these foreign markets” (Aris 2016). Therefore, the primary motive behind this initiative is to reduce the cost of transporting goods as well as the travel time. And this can be achieved only by creating and enhancing the infrastructure along the modern-day Silk Road.

Since, China is currently in a transitional period from double-digit growth rates to stable growth, it is seeking new opportunities to integrate with the western powers and the ‘global south’. By strengthening relations with other countries and creating a large economic market, China aims to develop infrastructure and connectivity all the way to Europe which would in turn promote inter-continental trade and industry, regional economic policy co-ordination, financial integration, eliminating trade barriers and promoting cultural ties leading to greater people-to-people exchanges. In March 2015, “Chinese president Xi Jinping stated that annual trade with the countries along the Belt and Road Initiative would surpass $2.5 trillion by 2025” (Djankov 2016). Thus, with the help of this project, China eyes to find new markets which could absorb its excess domestic production of low-value goods thereby keeping the economy stimulated.

The Chinese push for OBOR initiative became necessary considering the fact that property and investment boom had ended at home “leaving China with significant overcapacity in industry and construction, deflation and rising debt management problems” (Du 2016, 42) thereby helping them find markets outside the country. It is also assumed that the infrastructure developed by the Chinese companies in countries sharing OBOR routes would help their economies grow and ultimately boost the demand for China’s goods and services. Therefore, China expects that its own companies would
plan, construct, involve Chinese labor and purchase Chinese equipment only for the OBOR projects if it is being funded by the Chinese banks.

Before 1st October 2016, China used to be the largest investor in the United States’ (US) treasury bonds but soon started to sell these when its currency – Renminbi (RMB) joined the Special Drawing Rights (SDR) basket of the International Monetary Fund (IMF). China realized that “holding on to these currency reserves is not of much strategic or economic benefit” (Aris 2016) and prefers more direct investment overseas to make the best use of its over $4 trillion foreign reserves. The inclusion of RMB in the SDR basket ensured that RMB can be freely used for global trade. Its internationalization helped in decreasing the cost of trading, makes trade settlement convenient and avoids the risk of using a third party currency in bilateral trade. Thus, OBOR and the international stature of China’s currency complement each other.

Connectivity of the OBOR Initiative

The OBOR initiative consists of two main components; the land-based ‘Silk Road Economic Belt’ that follows the ancient Silk Road and the sea-route based ‘21st century Maritime Silk Road’ that links China to Southeast Asia and east Africa by sea. The two-pronged initiative would integrate Asia with Europe and Africa whereby ‘trade-boosting infrastructure projects’ would be established along the two routes.

Silk Road Economic Belt

According to the OBOR vision document, ‘six international economic corridors’ were to be created with an “estimated total investment of $890 billion or more for the One Belt (Silk Road Economic Belt)” (Ayoma 2016, 6). The new land-based Silk Roads can take “advantage of already existing international transport routes, relying on core cities along the countries traversed and using key economic industrial parks as well as newly-developed free trade zones as cooperation platforms” (Casarini 2016, 97). The six planned economic corridors are:

New Eurasia Land Bridge (NELB) Economic Corridor

NELB is an international passageway of rail corridors covering ap-
proximately 12,000 km connecting Yiwu in eastern China to West European countries while crossing over 30 countries. It links Pacific to Atlantic Ocean. China has already started construction of several new international rail routes offering rail-to-rail freight transfer, and a “one declaration, one inspection, one cargo release” system for cargo moving across borders.

Source: Luft (2016).

China-Mongolia-Russia Economic Corridor (CMREC)

CMREC comprises of two traffic arteries. One extends from China’s Beijing via Ulaanbaatar (Mongolia) to Russia; and the other extends from China’s Dalian to Russia’s Chita, both connecting the Russian Trans-Siberian Railway originating at Novosibirsk and ending at Vladivostok. As transportation is the main priority of CMREC, it involves the road and rail connectivity of China, Mongolia and Russia. It also concentrates upon the advance cus-
toms clearance and other transport facilitation along with industrial capacity and investment; trade; cultural and people-to-people exchanges. China has shown considerable interest in south Mongolia’s Tavan Tolgoi coal mines and Russia’s natural gas. Since, China’s needs a stable supply of these crucial resources, the two routes under CMREC can prove to be important.

**China-Indochina Peninsula Economic Corridor (CICPEC)**

CICPEC aims to link and deepen the relations of China with the six continental Southeast Asian nations namely Myanmar, Thailand, Cambodia, Laos, Vietnam and Malaysia by means of developing an extensive transportation network and several industrial co-operation projects. ASEAN countries have been the key trading partners of China even before the China-ASEAN Free Trade Area (CSFTA) came into existence in 2010 but CICPEC is considered to be a game-changer for the economic development of the region.
China-Pakistan Economic Corridor (CPEC)

CPEC is a flagship project under OBOR initiative covering 3,000 km from Kashgar, Xinjiang province of northern China to Gwadar Port of Pakistan connecting Silk Road Economic Belt in the north and the 21st Century Maritime Silk Road in the south. It is a trade network of highways, railways, oil and natural gas pipelines and optical fibers.

China-Central Asia-West Asia Economic Corridor (CCWAEC)

CCWAEC links China and the Arabian Peninsula through the ancient silk route. It originates in the Urumqi city of Xinjiang province and navigates through Central Asia before reaching the Persian Gulf, Mediterranean Sea and the Arabian Peninsula. It connects 5 Central Asian and 17 West Asian countries. A rail connection between China and Afghanistan was inaugurated in September 2016. CCWAEC includes regions that are rich in oil and various mineral resources thereby serving as an important energy source for China.

China-Pakistan Economic Corridor (CPEC)

Referred as an ‘international gateway to South Asia’, BCIMEC will essentially be an expressway and high-speed rail link between the Kunming (China) and Kolkata (India) via Mandalay (Myanmar) and Dhaka (Bangladesh). The four countries had agreed to connect their cities by roadways,
waterways and by air along with the power transmissions and oil pipelines. Apart from the gigantic markets of India, BCIMEC aims to provide China, an outlet to the Bay of Bengal – an additional way to circumvent the Strait of Malacca. Importantly, China has huge stakes in this corridor due to the availability of energy resources in Myanmar and Bangladesh but challenges have emerged to this corridor due to India’s stand on OBOR.

Source: Luft (2016).

21st century Maritime Silk Road

The 21st century Maritime Silk Road is one of the very essential components of OBOR initiative. Through the sea route, China aims to connect the littoral provinces with the “South China Sea and the Indian Ocean, and from there to Eastern Africa via the Horn of Africa and the Mediterranean to European ports by means of a network of port infrastructure, including deep sea ports, industrial zones, oil and gas storage facilities and railway connectors from where cargo can be shipped inland” (Luft 2016).

Funding for the OBOR Initiative

The three biggest Chinese state-owned banks namely; Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), and China Construction Bank (CCB) are the primary source of funding for the overseas projects under OBOR initiative. China plans to “invest almost $1 trillion in infrastructure” with “$900 billion projects already underway” but Fitch ratings have warned that these “investments have been driven more by China’s desire to exert global influence than focusing on real demand for infrastructure” (Weinland 2017).
These banks have provided “$225.4 billion in credits by the end of 2016” for over 800 projects while the two policy banks, “China Development Bank (CDB) and the Export-Import Bank of China have extended $200 billion in loans” (Qinqin and Jia 2017) along with China Agricultural Development Bank (CADB) under this initiative. However, slowdown of the Chinese economy and the limits on the use of foreign reserves are some of the impediments considering the dwindling balance sheets of the Chinese banks in lieu of bad loans provided for some problematic projects.

The New Silk Road Fund (NSRF) has been established by China in December 2014 with the primary investment of $40 billion pledged by the State Administration of Foreign Exchange, China Investment Corporation, Export-Import Bank of China and China Development Bank to provide exclusive funding for the projects under OBOR initiative. In May 2017, China pledged another $124 billion in the NSRF to finance projects under OBOR initiative in order to make it look like a ‘win-win’ business partnership with the participating countries.

Since the projects of such a grand scale cannot be fully funded by Chinese banks itself, China took steps to establish the Asian Infrastructural Investment Bank (AIIB) in January 2016 with an authorized capital for $100 billion. AIIB has been largely funded by China to create an “alternative but complementary Multilateral Development Bank (MDB) to the World Bank, specifically for funding infrastructural projects in Asia” (Aris 2016). According to the Asian Development Bank (ADB), Asia needs $8 trillion by 2020 to sustain the regional infrastructure but the World Bank (WB) and ADB “normally provide $20 billion” considering their limited capital of “$223 billion” and “$160 billion” respectively (Wang 2018, 253). In this regard, AIIB can become a vital cog and play a complementary role to the WB and the ADB.

New Development Bank (NDB) is not directly linked to OBOR initiative and was established as a multilateral development bank by the BRICS (Brazil, Russia, India, China and South Africa) countries at Shanghai. NDB was established with an initial authorized capital of $100 billion to fund infrastructure projects in developing countries whereby all the five member states would have equal votes on board unlike the WB where votes are assigned on the basis of capital share.

It is important to note that the new multilateral institutions like AIIB and NDB do not have the financial strength to fund all the projects under OBOR initiative but do have the potential for ‘fund raising’ through “organizing bond issues, loan syndication, IPOs, setting up public-private-partnerships, creating special purpose vehicles and other means for funding the projects” (Enright, Scott & Associates 2016).
OBOR and its Strategic Implications for India

The two Asian powers, India and China share a complicated relationship. Due to their strong economy and constant increase in hard power capabilities, both countries not only aspire to continue their domination in their respective spheres of influence but also compete for untapped resources and markets. With the launch of OBOR initiative, both the countries are trying to challenge each-other’s domination and simultaneously co-operate on several issues at global forum.

The competition between the two Asian powers in the changing geo-political realities has led to investment in the regional infrastructure networks. However, regional tensions between the two neighbors has escalated due to the “theory of strategic encirclement” coming into force. India fears encirclement by China while Pakistan fears encirclement by India and in the meanwhile, China fears encirclement by the United States due to its close relationship with India, Japan, and South Korea in addition to the US troops stationed in Afghanistan. These fears have “spurred greater infrastructure growth in all surrounding countries, as the potentially encircled look to set up alternate transit routes and project military power outside their own borders” (Daniels 2013, 94).

Due to the growing mistrust ever since 1962 Chinese attack; unresolved boundary dispute; China’s occupation of Aksai Chin and further claim on Arunachal Pradesh has left India worried about the Chinese investments and military cooperation with other South Asian countries especially in her backyard. India is of the opinion that the building and operation of ports in Bangladesh, Myanmar, Sri Lanka and Pakistan by China is in accordance to the theory of String of Pearls whereby India is encircled by these Chinese built ports in the Indian Ocean that can be used for both commercial and military purposes.

Furthermore, China’s plans to change the course of several rivers in Tibet and build dams on river Brahmaputra; its recurrent opposition to India’s membership in Nuclear Supplier’s Group (NSG); frequent use of ‘technical hold’ to save Jaish-e-Mohammad chief, Masood Azhar from being declared a global terrorist by the United Nations (UN) and maintaining naval presence in the Indian Ocean has led to trust deficit. Along with these, China’s ‘all weather friendship’ with Pakistan and the projects undertaken in Pakistan occupied Kashmir (PoK) under the OBOR initiative has resulted into the uneasiness for India.

On the other side, India’s shelter to Dalai Lama, has been a major cause of irritation for China’s troubled relationship with India. Importantly,
India’s growing strategic military engagement with Vietnam, Mongolia, Japan and the US has added to the tensions between the two. Therefore, India and China to overcome their fears of encirclement are using their ‘soft-power’ to attract partners from each other’s sphere of influence and enhance their ties through ‘infrastructure diplomacy’ thereby generating strategic goodwill. However, the recent 73-day military stand-off between the two countries at Doklam, a disputed territory between China and Bhutan near India’s ‘Chicken Neck’ has led to the lowest ebb of bi-lateral relations since 1962.

As far as OBOR is concerned, Tingyi Wang of Tsinghua University, Beijing exclaims that “OBOR is prompted by China’s interests in energy, security and promotion of economic ties” but it is actually “driven by the vision of a greater Eurasian idea that calls for strengthening economic and cultural integration” and building of a “new type of international relations underpinned by win-win cooperation” (Ahmad 2016).

However, the former Indian Foreign Secretary, Shyam Saran is of the opinion that OBOR is a “twin dimensional initiative to secure its geostrategic realm, which has both a continental and a maritime dimension” and is “not just as economic initiative” but has “obvious political and security implications” (Saran 2015). The US Secretary of State, Rex Tillerson, also exclaimed, “Beijing encourages dependency using opaque contracts, predatory loan practices, and corrupt deals that mire nations in debt and undercut their sovereignty, denying them their long-term, self-sustaining growth” (Fernholz 2018).

CPEC and India’s Apprehensions

Source: Sudhan (2014).
China considers CPEC to be a ‘crown jewel’ of OBOR project set to be completed by 2030 with an investment of $46 billion. It includes a complex network comprising of Gwadar port, multiple Economic Zones, railways, highways, airports, fiber optics and energy pipelines. China seeks to develop CPEC as an alternative and stable route to Malacca straits for importing its energy resources from Middle East. Therefore, CPEC will act as a ‘trade-bridge’ between Asia, Africa and Europe. It is considered to be a very crucial link for OBOR as it links two projects – a land route in Eurasia and a sea route in South East Asia thereby connecting over 60 countries. CPEC would drastically reduce the distance to Xingjiang as it would take “just 6 days for the energy supplies to reach Chinese border through a pipeline as compared to 32 days via the current marine route and 19 days via proposed BCIMEC” (Rahman and Shurong 2017, 3).

China attaches immense importance to CPEC in view of any future blockade of the Malacca strait by the US or India in case of a military confrontation with the rise in hostility with its neighbors in the South China Sea. India at present definitely holds advantage over China in the Indian Ocean as China faces ‘Malacca Predicament’. Therefore, China through CPEC seeks to acquire strategic advantage of the self-constructed Gwadar port located near the Persian Gulf through which almost 40 percent of world’s oil passes through.

Since, China considers Pakistan to be an ‘all-weather friend’ and at times has colluded with it to contain India in the region. China through CPEC wants to have an unhindered access to the Indian Ocean by way of having a strategic footing in the Arabian Sea. China officially taking control of the strategically important Gwadar port under this project in 2015 has alarmed the Indian establishment who are of the opinion that “Gwadar could be converted into a dual-use port facility by China” (Panda 2015). India’s apprehensions are founded on PLA’s “strategic plans to enhance control over Pacific and the Indian Ocean in accordance with the ‘high-sea defence’ policy by pursuing its ‘string of pearl strategy’” (Malik 2012, 62). China could encircle India by having access to ports of neighboring countries like Gwadar in Pakistan, Hambantota in Sri Lanka, Kyaukpyu in Myanmar and Chittagong in Bangladesh for both trade and military purposes. The recent Chinese acquisition of a military base in Djibouti along with the “terraforming of a number of rocks, reefs and atolls in the South China Sea into military bases, replete with radar and runways” (Garlick 2017, 144) does signify the Chinese geo-political ambitions.

India’s involvement in the Persian Gulf and Gulf of Aden have always been “an eye sour for the Chinese”, as a result, Zhao Nanqi, the director of the General Staff Logistics Department of the Chinese Navy had once stated “We
can no longer accept the Indian Ocean as only an ocean of the Indians” (Malik 2012). The Chinese desire to contain India has been motivated by the fact that “US is courting India with the declared purpose of assigning the lead role in the Indian Ocean, which is unacceptable to both China and Pakistan” thereby forcing the two to “strengthen their alliance further” and “scuttle the Indo-US ambition of dominating the Indian Ocean” through their “strategic naval partnership centered on Gwadar” (Butt and Butt 2015, 30). In this regard a naval base at Gwadar just a few hundred km away from western India has provided a huge strategic leverage to China.

India’s response to OBOR initiative has varied from a cautious welcome to an opposition. India welcomed BCIM Forum since its inception as it was considered as a ‘zone’ to promote connectivity through infrastructure development, trade and investments. But the transformation of BCIM Forum to BCIMEC under OBOR has delayed the progress of BCIM. India at times has differed with China on the agendas and purposes of BCIMEC. India considers BCIMEC to be a mechanism to expedite Chinese imports of natural resources and exports of processed goods in the region thereby further escalating the trade deficit. India also brought up the issue of “focusing on sub-regional development” considering the “development deficit of the northeastern region and particularly of the securitized border districts” along with an “emphasis on acknowledging Bangladesh and Myanmar as the least developed countries within the grouping” (Iyer 2017).

Moreover, India’s opposition to CPEC has been based on the principle of violation of India’s sovereignty as CPEC passes through the Gilgit-Baltistan region which falls under the illegal occupation of Pakistan. In reference to the CPEC, the Indian Spokesperson of Ministry of External Affairs (MEA) stated, “connectivity projects must be pursued in a manner that respects sovereignty and territorial integrity” (Taneja 2017). India bluntly conveyed China about its inability to compromise on the issue of sovereignty. The Indian Prime Minister (PM), Narendra Modi too implicitly criticized CPEC by averring “connectivity in itself cannot override or undermine the sovereignty of other nations” and “only by respecting the sovereignty of countries involved can regional connectivity corridors fulfill their promise and avoid differences and discord” (Mitra 2017). He vociferously spoke against it and dubbed it as unacceptable during his state visit to China in 2015.

Moreover, India did not display any interest in OBOR due to the lack of consultation and details offered by China prior to its launch. For instance, India had no problems in “joining the China-initiated Asian Infrastructure Investment Bank because there were extensive consultations between China and India prior to its establishment” (Taneja 2017). While raising objection
to CPEC, India has termed the OBOR initiative as a “‘unilateral’ or a ‘national’ initiative of China, with a limited role of other participating countries in shaping the priorities of the connectivity projects” (Mitra 2017). The Indian Foreign Secretary, S Jaishankar in 2015 remarked, “The Chinese devised it, created a blueprint. It wasn’t an international initiative they discussed with the world, with countries that are interested or affected by it….A national initiative is devised with national interests, it is not incumbent on others to buy it. Where we stand is that if this is something on which they want a larger buy-in, then they need to have larger discussions, and those haven’t happened” (Pant and Passi 2017, 88).

In 2016, S Jaishankar, alluded to a “widespread perception in official circles in India that the BRI initiative is nothing but an attempt by China to unsettle the established regional order and replace it with a China-centric system that would marginalise other major Asian powers such as India and Japan” (Taneja 2017). In this background, India refused to participate in the OBOR Summit held at Beijing on 15th May 2017 citing three concerns namely issues related to ‘sovereignty, procedures and leadership’, the very same reasons that China has made to challenge the world.

Furthermore, India relies on the report of ‘Center for Global Development’ that considers OBOR to be a tool of debt-trap diplomacy. According to it, the strategy of China is to simply “provide loans on high interest to ‘smaller, lesser developed countries’ for “infrastructural projects, acquires equity into projects, and when the country is unable to repay the loan, it gets ownership of the project and the land” (The Economic Times 2017). Thereafter, the land can be put to strategic use against India.

India also considers OBOR, especially CPEC to be a security and strategic threat and is of the assumption that if the Maritime Silk Road gets successfully implemented, then it would lead directly to India’s backyard and China would “attempt to transform the Indian Ocean Region (IOR) into a Chinese controlled lake full of threatening-looking bases” (Garlick 2017). Therefore, in accordance to the theory of ‘Realism’, where power struggles are inevitable in the absence of any world government forcing individual states to resort to self-help strategies in the anarchic international arena; Chinese expansion into the IOR hardly leaves any option for India but to prioritize its security by any means.

India is wary of nefarious intentions of China’s military, economic and diplomatic efforts to contain India within South Asia. In this context, CPEC along with Gwadar port offers China a very conducive environment to have a firm and long-term presence in the IOR. The stopover of Chinese warships and submarines at this port for a brief period left India in a tizzy. Importantly,
China’s efforts to expand her political clout in the Indian sub-continent with the help of CPEC has complicated the Indian efforts to internationalize the issue of Pakistan-sponsored terrorism. There is no denying the fact that India’s relationship with China is largely constrained by the security dilemma.

**India’s Strategic Response**

Though, India has been a late starter but it appears that the Indian government has taken cue from C Raja Mohan’s *India’s Grand Strategy* whereby the whole world is divided into three concentric geographic circles. The innermost circle consists of India and its ‘immediate neighborhood’ reflecting India’s sphere of influence in which foreign powers’ interference is absolutely non-desirable. The second circle is prominently known as the ‘extended neighborhood’ primarily comprising of rest of the Asian countries and the littoral states of Indian Ocean. In this circle, India’s strategic interests is to counter the influence of other powers’ from damaging its interests. The third circle comprises of ‘rest of the world’. In this regard, with the rise in India’s power status and the foreign policy undergoing a gradual change it is important to evaluate India’s initiatives and relations with friendly countries to counter the OBOR initiative. India’s resurgent foreign policy is inter-twined with ‘economic diplomacy’ and ‘connective diplomacy’. In order to counter the massive in-roads made by China in India’s immediate neighborhood through its ‘aid to trade policy’, India is engaging her neighbors with a new *Neighbourhood First Policy*.

**Nepal**

India shares a rich socio-cultural history with the *Madhesis of terai* region of Nepal whereby the long, open and porous borders not only provides unrestricted rights of trade, transit and movement to the Nepalese citizens but also the ‘national’ treatment under the ‘1950 Treaty of Peace and Friendship’. Being wary of Chinese dominant position and the political uncertainty in Nepal, “Indian establishment has always viewed Nepal as being within India’s larger security envelope in relation to China” with some even considering “Nepal as not landlocked but ‘India-landlocked’” (Ojha 2015). India has also never shied away from ensuring “Kathmandu to conduct a foreign policy that is largely pro-India”; and never hid the fact that “it wants to control the breadth and depth of Sino-Nepal relations” (Dabhade and Pant 2004, 165).

Nepal since mid-1990s has witnessed phases of monarchy, Maoism,
republicanism, constitutionalism and democracy. Subsequently, relations between India and Nepal have deteriorated “over the last two decades due to misinformation, miscommunication and the conflicting political interests of different political parties in Nepal” (Sahu 2015). Taking advantage of this downfall between the two nations, China has stepped up its ante in the region to alter the balance of power. China considers Nepal “to be a vital part of an inner security ring that cannot be allowed to be breached by any global or regional power” (Dabhade and Pant 2004, 159). Therefore, to win over Nepal, China has made massive investments in mega projects. Infrastructure funding with cultural connotations has been part of China’s foreign policy in Nepal. Under this plan, China has funded several hydropower projects and invested $3 billion to convert Lumbini, the birthplace of Lord Buddha, into a ‘cultural zone’. In return, Nepal agreed to join OBOR initiative as it has been touted as a ‘transit bridge’ by China to reach South Asia. These investments have no doubt helped China to reduce Nepal’s dependence on India.

China has historically supported Nepal in its disputes with India and with the help of its propaganda machine fueled anti-India sentiments. It is also important to note that in spite of India’s stiff resistance, China has successfully managed to enhance its intelligence and military ties with Nepal thereby increasing India’s anxieties. No wonder, China’s economic might has helped her in achieving its objective of making “South Asia as a potential market for its cheap goods and to use some of the South Asian states as pivots to help establish a regional balance of power” (Sahu 2015). As far as India’s track record is concerned vis-a-vis China, India has hardly delivered on its past promises made to Nepal. Many important multipurpose projects are stalled since decades. Failure to deliver on such crucial mega-projects, the Indian government have shaped the Nepalese perception that ‘India promises and China delivers’.

The MoU signed between China and Nepal on OBOR seeks to “strengthen cooperation in connectivity sectors including transit transport, logistic systems, transport network and related infrastructure development” (Giri and Patranobis 2017). The opening of the four double lanes of 40.4 km strategic highway from Tibet to the Nepal border in September 2017 has left India worried as it can be used for “civilian and defence purposes, a move that Chinese experts say will enable Beijing to make forays into South Asia” (NDTV 2017).

It cannot be denied that Nepal has been pushed towards China by India due to her flawed decision-making. In retaliation to the alleged economic blockade of 2015 by the Indian-origin Madhesi protesters against the newly framed Nepal’s constitution, Nepal signed agreements with China to import
petroleum products and access to Chinese ports in an attempt to bypass India and break its monopoly over Nepal’s fuel supplies. China seized this opportunity while harping on the reputation of non-interference in the domestic affairs and convinced Nepal to join the OBOR initiative and reap the fruits of development. No wonder, India’s mis-steps and neglect have exacerbated its Nepal problem. Considering the ability of Nepal to play China-card very well, India offered to extend its natural gas pipeline in addition to fuel supply every month by road.

In order to maintain the influence in Nepal – a natural buffer between the two Asian powers, China stealthily stitched together the Left Alliance comprising of former Maoist rebels and moderate Communists before the 2017 general elections. The outcome of the polls certainly reflected the ‘failure of Indian diplomacy’ as KP Oli, set to be the next PM shared frosty relations with India in the past and his pro-China tilt underlined the erosion of India’s influence in the country.

Bhutan

Bhutan has at times been referred as India’s ‘protectorate’ considering the fact that it is the only immediate neighbor of China not to maintain any diplomatic ties with her. The failure to have full scale ties with Bhutan has not only become an issue of prestige for China but also its agenda of encirclement of India cannot be complete without it. In this background, the stand-off between the Indian Army and Chinese PLA for 73 days on the Bhutan’s Doklam Plateau can be considered to be an attempt by China to bring Bhutan to a negotiating table by evoking fear and establishing the missing diplomatic relationship. According to Professor Phunchok Stobdan, “It is not just the Doklam border issue. The entire thing is about focusing on Bhutan... to change the status quo or create a rift between India and Bhutan... that is the real game” (Ganapathy 2017).

Bhutan, considered to be the closest ally of India has proven its faithfulness by not joining the OBOR initiative in contrast to all other South Asian nations. Nevertheless, it does not mean that Bhutan has no place for cheap Chinese products, it is freely available all over the country. In spite of the known limitations, China is trying to woo Bhutan through its soft power. Soon, it would “start financing non-government organizations and other influencers inside Bhutan as it has done in the case of Nepal in the early years” (Dasgupta 2017). A section of the Bhutanese society wants to maintain relations with China but majority of the populace is still wary of external influences on local culture by recalling the horror committed by China in Tibet after 1949.
However, India’s intimate relationship with Bhutan is based on the ‘1949 Treaty of Friendship’ through which India maintains its influence over Bhutan’s foreign policy, defense and commerce. But Bhutan has communicated its fears about burgeoning trade imbalance and setbacks in the hydro-power projects promised by India because “selling hydropower to India and contributing in its economic growth has long been held as the one main salvation to Bhutan’s economic woes” (Lamsang 2017).

In accordance to the 2006 India-Bhutan agreement on hydropower development and additional protocol of 2009, India agreed to install 10,000 MW of hydro capacity in Bhutan by 2020 and purchase all the surplus power. But in a major setback to Bhutan, Modi government’s refusal to back the ‘10,000 MW by 2020’ can have major implications on India’s relationship with the most trustworthy partner.

Bangladesh

Even though India played a crucial role in the liberation war of Bangladesh and share a healthy relationship with the current government, Bangladesh enjoys a much vibrant relationship with China vis-a-vis India. China’s massive aid for Bangladesh’s military modernization, her successful mediation between Bangladesh and Myanmar on the issue of oil exploration in the disputed waters of Bay of Bengal, infrastructure and port development have contributed in the efficacy of OBOR.

In this context, the development of Chittagong port by China is of immense significance. Apart from it, China was expecting to design, build and operate the first deep seaport of Bangladesh – Sonadia. However, it has been widely speculated that the trio of India, Japan and US have pressured the Bangladeshi government to scarp the Sonadia project in favor of Matarbari seaport (just 25 km north of Sonadia). For the swapping of this project, Bangladesh was offered a lucrative deal by Japan of four coal-fired power plants and an LNG terminal whereby 80 percent of the funding for the project was to be met by Japan on easy terms.

China’s growing presence in the Indian Ocean has “caused diplomatic annoyance, as well as fear of hegemony on the maritime shipping routes” while India feared that Sonadia port project was “China’s plan to come to close proximity to India by increasing its presence in the Andaman and Nicobar Islands in the Indian Ocean” (The Asian Age 2016) under the *string of pearls* strategy. Bangladesh was unable to resist the pressure as “India had stood behind the AL (Awami League) government in 2014 on the issue of the ‘questionable general elections’” while “the US played a major role in bring-
ing back Sheikh Hasina to power” and “she has a big stake in the US” considering US being the “Bangladesh’s largest market for readymade garments, its largest earner of foreign exchange” (Ramachandran 2016).

It is important to note that Bangladesh has become the second largest importer of arms from China after Pakistan. In contrast, India has constantly avoided the engagement of high-level defense ties with Bangladesh. Nevertheless, India has extended a fresh Line of Credit (LoC) in 2017 to the tune of $4.5 billion in addition to the two made earlier excluding $500 million for Defense purchases.

As far as co-operation in the energy sector is concerned, India’s NTPC entered into agreement to supply electricity from Nepal and Tripura while Adani and Reliance Power sought to establish power plants in Bangladesh. Moreover, ONGC obtained the rights for gas exploration in two blocks of Bay of Bengal. India also announced to bear the cost of laying 131 km Indo-Bangla Friendship pipeline for the sale-purchase of high speed diesel. Meanwhile, China lost the Khulna power project to India. The Indian government has shown its readiness for debt financing of Indian projects in Bangladesh.

**Myanmar**

China’s investments in Myanmar grew dramatically since 2005 on account of: becoming world’s largest consumer of imported resources; lack of competitors for Myanmar’s rich natural resources due to economic sanctions and; Myanmar’s strategic location. The investments have been mainly concentrated in the sectors of hydropower, mining, oil and gas, and infrastructure development. China began the construction of Myitsone Hydroelectric Project (HEP) in 2009 but was soon suspended by the military government in 2011 on account of domestic and international opposition on the issue of environmental impact and forced resettlements.

China negotiated to get the preferential access to Kyaukpyu deep seaport being built by the Chinese consortium due to its geo-political significance in exchange of the scrapped Myitsone HEP. The Sino-Myanmar pipeline which went into operation in April 2017 links Kyaukpyu seaport and Kunming in Yunnan province bypassing Malacca Strait from where China’s 80 percent of oil passes through. It not only saves about “5,000 km in sailing distance for shipments travelling to China from India and points beyond” but the Kyaukpyu seaport is part of the string of pearls strategy which would “help China’s ultimate goal of naval expansion in the region” (Wong 2017). Therefore, China has been on the driving seat with regard to investments made against Myitsone HEP and has taken complete advantage of the situation for its strategic benefit from the
strategically located Myanmar in Bay of Bengal.

The bi-lateral relations between India and Myanmar has largely remained under-developed in spite of sharing common colonial legacy under the British administration and 1,643 km long land boundary. The economic relationship between the two countries have suffered on account of “logistical challenges”, “lack of clear and consistent policy on both sides of the border” and “high tariffs” imposed by India making it “an unattractive market for Myanmar exporters” (Zaw-Aung 2016). However, with the change in government, the Indian establishment has enhanced its engagement with a view to make up for the time lost due to its policy of engaging a civilian government only.

The economic engagement between the two countries is expected to rise with the completion of Kaladan Multi-modal Transit Transport Project comprising of sea-route between Kolkata and Sittwe. Though, this project was mooted in 2003 and the effective work started in 2010, it got delayed due to inadequate fund allocation and planning failure, with a revised target to complete the project by 2019. Importantly, the construction of deep water port at Sittwe by India can be considered to be a response to counter-balance the ‘China-Pakistan axis’.

However, India’s failure to progress on the two HEPs agreed upon in 2004 on river Chindwin and Shwezaye was scrapped by Myanmar in 2013 after getting delayed by several years. The talks on 1,575 km Myanmar-Bangladesh-India gas pipeline did not bear fruits following Bangladesh’s refusal to allow India to transport gas from her territory. The ‘India-Myanmar Friendship Road’ officially inaugurated in 2001 also lost its track. The Indian government after 15 long years proposed it as 1,360 km ‘India–Myanmar–Thailand (IMT) Trilateral Highway’ with the new deadline for its completion being 2020. It has been planned to extend it further to Cambodia, Laos and Vietnam in the form of East-West Economic Corridor (EWEC) to boost trade and commerce in the India-ASEAN Free Trade Area.

The lifting of US sanctions from Myanmar in 2016, provided a golden opportunity to India to engage her in a more vigorous manner and turn the land-locked North-eastern Indian states into ‘Gateway to Southeast Asia’. The development of infrastructure in the region could have tremendously improved the connectivity and promoted trade and commerce. However, India’s investments as well as the infrastructure projects are plagued by delays due to “lack of coordination among different implementing agencies, poor monitoring, and financial constraints” (Ramachandran, 2016) ultimately adversely affecting India’s credibility amongst the neighbors.
Sri Lanka

Sri Lanka nurtured a close relationship with China during the decade-long presidency of Mahinda Rajapaksa as India buckled under domestic pressure of coalition politics and failed to meet his expectations at the peak of ongoing and brutal conflict with the Liberation Tigers of Tamil Elam (LTTE). China encroached upon India’s sphere of influence with the “diplomatic backing at a time when the West was threatening to sanction Colombo for crimes committed in its conflict with Tamil separatists” (Chazan 2017).

India’s fiasco under the Congress government in handling its foreign policy with Sri Lanka provided a window of opportunity to the Chinese who gladly stepped in to fill the void. On one side China was providing fighter jets, anti-aircraft guns and radars to Sri Lanka and on the other side supported the Rajapaksa government at the United Nations Security Council (UNSC). In contrast, India’s inconsistent policy of once supporting Sri Lanka’s military offensive against LTTE by supplying five Mi-17 helicopters and then voting for the US sponsored resolution against her at the UN Human Rights Council in 2013 perplexed the tiny neighbor.

China offered its military and diplomatic support to Sri Lanka under Rajapaksa as it formed a “key component of China’s ‘One Belt, One Road’ strategy of integrating the regional economy through infrastructure development” considering the fact that both Hambantota and Colombo port terminal built by China “sits bang in middle of the principal east-west sea lines of communication connecting China to the main oil exporters in the Middle East and Africa” (Chowdhury 2016). It is important to note that Sri Lanka’s infrastructure development projects formed part of the Chinese String of Pearls strategy which aimed at establishing a “naval presence across South Asia by building ports and other facilities in friendly countries – including Pakistan, Bangladesh, and Myanmar” (Chazan 2017).

India’s apprehension regarding theory of String of Pearls indeed came into play with the docking of Chinese sub-marines at the Colombo harbor in September 2014 after which the Indian PM, Narendra Modi personally reminded Rajapaksa about the “1987 Accord” between the two nations which provides that “their territories not be used for activities deemed prejudicial to each other’s unity, integrity and security” (NDTV 2017a). Moreover, Sri Lanka “was obliged to inform its neighbors about such port calls under a maritime pact” but “the same submarine resurfaced in Colombo in November, again without prior notice to Delhi” (Smith 2016). This proved to be the “final straw in India’s relations with Rajapaksa” as India “worked behind the scenes to unite a fractured opposition and pave the way for the unity government of President
Maithripala Sirisena and Prime Minister Wickremesinghe” (Chowdhury 2016).

President Sirisena at the helm of power soon realized that Sri Lanka had little room to maneuver as more than third of government’s revenue went towards servicing Chinese infrastructure development loans of over “$64 billion or 76 percent of GDP” (Chazan 2017) at the commercial interest rates. Sri Lanka comprehended the “Chinese modus operandi” as it was evident that “China undertook financially unviable projects in President Rajapakse’s constituency and pushed Sri Lanka into a debt trap. Sri Lanka was compelled to hand over both the port and the neighbouring industrial area to China in a debt/equity swap” (Parthasarathy 2017). For this land grab exercise, China readily provided soft loans of $2 billion to build a deep sea port and a cricket stadium at Hambantota along with the second international airport nearby in the midst of jungles.

India proposed to work with the current Sri Lankan government with an aim to check the geo-political ambitions of China in its own backyard. India intends to make investments in Sri Lanka’s power plants, highways, railways and SEZ along with the energy infrastructure in Trincomalee port involving the development of ‘World War II oil storage facility’ and the ‘South Asia’s deepest natural harbor’. These initiatives are of strategic in nature and will help counter-balance the Chinese influence and will serve India’s interests by securing a foothold back in the region.

The offer of Trincomalee port to India by Sri Lankan government was a move designed to counter-balance “India’s fears that some of these Chinese projects could someday have military implications, Sri Lanka attests that they are not partial to any one country in particular when it comes to investment and are willing to do business with a wide array of potential suitors” (Shephard 2017). Even though, Sri Lanka attempts play a more ‘balancing act’ to keep China on board and strengthen relations with India as well, it may be difficult to “strike a balance between the competing interests of China and India, while fending off domestic concerns over economic colonization” (Chazan 2017). India have also agreed to convert the Sri Lankan roadways into highways and to improve the railways sector with track upgradation and new rolling stock apart from the construction of buildings and houses in the Civil War affected area.

The change of power dynamics in Sri Lanka in January 2015 at the behest of India has started to bear some fruitful results. Since, India could not be much of a help to Sri Lanka in escaping the ‘gigantic debt trap’, India has to simply accept the fact that Hambantota port will be operated by Chinese firms. Unlike Myanmar, Indian diplomacy got shot in the arm when the Sri Lankan ambassador to China, Ambassador Karunasena Kodituwakku remarked, “Sri Lanka has very categorically informed the (Chinese) investor that it will not be allowed to be used for any military purposes” (The Economic Times 2017).
a). Sri Lanka also paying heed to Indian protests regarding the proposed sale of 20 hectares of land in Colombo Port City to a Chinese company, switched the deal to a 99-year lease despite the Chinese insisting that their interest was commercial rather than military. India achieved another success when its “intense diplomatic manoeuvres” thwarted Sri Lanka’s attempts to “sign a deal to purchase up to 12 JF-17s co-developed by Pakistan and China” as India has also been trying to “sell its own Tejas to the strategically located Indian Ocean island nation” (Chowdhury 2016).

However, it must be acknowledged that India herself needs to be blamed for the increased Chinese presence in Sri Lanka. The Rajapaksa government was literally forced by India to adopt a pro-China stand. India’s “unwillingness to invest in Sri Lanka apparently caused it to miss the chance to develop Hambantota” and the Chinese “stepped in and filled an infrastructural investment gap which India failed to fill after the conclusion of the Sri Lankan Civil War. India therefore has to learn to live with a new geostrategic reality, permitted by earlier Indian inactivity, in which China has a significant presence in the IOR” (Garlick 2017).

Nevertheless, India’s re-oriented approach towards Sri Lanka has resulted into some grand results but at the same time India has to ensure that its projects do not get delayed and its goodwill is not lost due to its involvement in the domestic politics while ensuring Sri Lankan ports do not get used for military purposes by China.

**Chabahar Port in Iran**

The development of Gwadar port by China in Pakistan has added to India’s perception of its encirclement thereby forcing her to build a rival port at Chabahar. Often mentioned as ‘India’s gateway to Central Asia’, Chabahar is considered to be one of the “most strategic transit locations” and “Golden Gate’ to the landlocked Commonwealth of Independent States (CIS) countries and Afghanistan” (Roy 2012). It not only helps India to assert its presence in the region but also compete for the region’s resources and markets while hedging against ‘containment strategies’. It allows India to have direct access to Afghanistan while completely by-passing Pakistan which has constantly refused to provide land route for Indian shipments to Afghanistan and vice versa.
The strategic nature of Chabahar port can be highlighted by the fact that it is merely 72 km west of Chinese-funded Gwadar port in Pakistan. India aims to connect the Chabahar to the 218-km-long Zaranj-Delaram highway built by her in Afghanistan with an estimated cost of $100 million and further linking it to Afghanistan’s main circular highway grid connecting to Central Asian countries. Linking the two in a ‘International North-South Transportation Corridor (INSTC)’ project has long been a priority for India and Iran as it will provide the transit of goods through and Caspian Sea to Caucasus, Central Asia, Russia and Northern Europe.

The rivalry between Chabahar and Gwadar mostly hinges on two factors. Firstly, “the probability of a Chinese and Indian military (especially navy) presence in these ports will increase Sino-Indian rivalry in the Indian Ocean” and secondly, “there is an expectation that Chabahar port will diminish the importance of Gwadar port as a transit hub and route for Central Asian republics and Afghanistan” (Khalil 2017). Nevertheless, it can wisely be anticipated that Pakistan may allow China with whom her friendship is ‘stronger than steel’ to use Gwadar for military purposes against India but Iran will not allow the same considering its own healthy relationship with China.

**International North-South Transportation Corridor (INSTC)**

As China moves ahead with its OBOR initiative, India plans to counter it through INSTC, which will be a “7,200 km multi-modal trade corridor” whereby goods would travel by sea from the western ports of India to the port of Bandar Abbas in Iran, then move ahead by road and rail northwards through Baku to Moscow and St. Petersburg. The transportation of products between India and Russia takes a minimum of 45 days as it is required to pass through Arabian Sea, Suez Canal, Mediterranean Sea, North Sea and Baltic Sea whereas INSTC has the potential to cut the journey time between Mumbai and St. Petersburg to half. Out of the three dry runs to test the feasibility of INSTC, two in 2014 demonstrated that the new route was 30 percent cheaper and
40 percent shorter than the standard followed route. The INSTC will not only provide India a better access to the heart of Eurasia but will also provide an alternative to CPEC.

Source: (Shephard, 2017 a).

Vietnam

Vietnam lies in India’s ‘extended neighborhood’ category and the relations between the two nations received fresh impetus in September 2016 when Indian PM, Narendra Modi visited Hanoi. In an attempt to further strengthen the ties, MEA Secretary (East), Preeti Saran observed, “Vietnam is India’s important strategic partner and a central pillar of India’s Act East Policy; and our priorities for cooperation range in a whole host of areas, including defence and security, trade and investment, maritime cooperation, energy resources, in integrating our self to the ASEAN community and for leveraging our interactions in the regional and international forums” (The Indian Express 2016).

Following his meeting with the Vietnamese counterpart, “Modi announced a new $500 million LoC for defence products” in addition to “$100 million LoC to Vietnam to purchase four offshore patrol vessels that are currently being built in Indian yards” (Joshi 2016). Modi and his Vietnamese counterpart signed various agreements in the fields of health, cyber security, ship building and naval information sharing. Interestingly, Vietnam has shown immense interest in acquiring Indian short range cruise missile ‘Brahmos’ while India agreeing to “set up a Satellite Tracking and Imaging Centre’ in Southern Vietnam that will provide Hanoi access to pictures from Indian earth observation satellites that cover the region, including China and the South China Sea” which could “also be even used for military purposes” (Migliani and Torode 2016).

India’s cooperation with Vietnam in the oil and natural gas exploration in the South China Sea has drawn China’s ire whereby China declared it as ‘illegal and invalid’. China also accused India of “aggressive moves” and mentioned that the efforts
by Vietnam and Philippines to draw India and Japan respectively in the region “would have little impact since all of these states together can hardly match China in the regional strength and influence, let alone counterbalance and contain China” (Cheng 2011).

It is also important to note that Vietnam is one of the countries with which China has settled its land border dispute but Spartley and Parcel islands are hotly contested in the South China Sea. However, it is well-known that Vietnam by virtue of its location likes to “leverage its friendship with India to offset the rising power of its northern neighbor. But it is under no illusion that it can “take on” China; India is too weak to make up the power differential and its new friend, the United States, is too unreliable” (Joshi 2016). In this context, various reports emerged out stating China kept a close eye on Indian PM’s visit to Vietnam as “Hanoi is also a party in the South China Sea dispute and has (also) staked a maritime and rich energy resource claim to use of its waters” (The Indian Express 2016).

Asia-Africa Growth Corridor (AAGC)

The idea of Asia Africa Growth Corridor (AAGC) was crystallized during the Indian PM, Narendra Modi’s visit to Tokyo in November 2016 and thereafter on 25th May 2017, the ‘Vision Document’ was launched during a meeting with ADB reflecting the growing value of Africa in both economic and strategic terms for India and Japan. AAGC is an India-Japan economic co-operation agreement aimed at the socio-economic development of Asia and Africa with an eye on counter-balancing China’s OBOR and providing a benevolent alternative with Japan committing up to $200 million towards AGAC.

AGCC will primarily be a sea-corridor with an attempt to create a ‘free and open Indo-Pacific region’ by rediscovering ancient sea-routes and integrating Africa with In-
dia, South Asia, South East Asia, East Asia and Oceania by supplementing quality infrastructure. It will “enable Afro-Asian countries to industrialize and increase exports” while integrating “existing programmes of partner countries” by way of being “responsive to the needs of equitable and sustainable growth” in the development programmes based on “equal partnership, mutual trust and cooperation” (Chaturvedi 2017).

According to the vision document of AAGC, the focus will be upon: development and cooperation; ‘quality infrastructure’ and digital and institutional connectivity; enhancing capabilities and skills and; establishing people-to-people partnerships. The overriding goal is to enhance growth and interconnectedness between and within Asia and Africa.

The announcement of AAGC, that too just few days after India’s refusal to participate in the OBOR summit drew many comparisons of AAGC with OBOR initiative. However, AAGC differs on many fronts: 1) it is a bi-lateral initiative of India and Japan unlike China’s unilateral initiative; 2) AAGC adopts consultative approach in the decision making which has not been the case with China’s OBOR initiative; 3) AAGC would be depending for funds on the governments, private and international organizations whereas funding of OBOR initiative is strictly met by the Chinese banks. Nevertheless, the success of AAGC will solely depend upon to what extent “India and Japan can push forward this idea ahead of China’s BRI. India and Japan need to pursue structured and pointed cooperation both in the context of Africa and the Indian Ocean Region to make the intended objectives of AAGC a success” (Panda 2017).

Conclusion

Xi Jinping, by virtue of being the head of the ruling Communist Party of China is the President of People’s Republic of China (PRC) and also as the Chairman of the Central Military Commission i.e. the head of the military. Being a staunch nationalist, Xi has “set China on an aggressive course of bullying its neighbors” while intensifying its territorial claims on the land as well as in the sea, encouraging Chinese military to “get ready to fight and to win wars and to win regional warfare under I.T.-oriented conditions” (Kuhn 2013). At the same time in order to ensure that China remains an economic powerhouse, Xi wants to integrate China’s economy with the world through OBOR initiative. Remarkably, China has become more assertive in establishing relationships with India’s neighbours thereby making unstable countries respond positively to the OBOR initiative.

India has serious reservations about the implications of OBOR initiative due to its strategic interests. India considers it to be ‘China-centric’ and a vehicle of China’s influence in the region considering the projects to be too lucrative to refuse. However, the unilateral projects under OBOR initiative announced by China for the concerned countries will act as an ‘economic trap’ as it has been witnessed in Sri Lanka. India’s disapproval of OBOR has been primarily related to CPEC passing through PoK which clearly highlights China’s insensitivity to India’s sovereignty and territorial claims. This will certainly affect the BCIMEC adversely considering India’s discomfort to OBOR ini-
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tiative. India considers OBOR initiative in geo-political and economic terms and therefore desired sufficient discussions and consultations beforehand but it was not the case. Likewise, India has been involved in two-way dialogue with member countries on the infrastructural projects under INSTC and AAGC.

However, India’s track record in implementation of various infrastructural projects in the neighboring countries has been very poor due to lack of resources at its disposal. Therefore, India needs to first improve its internal resources and connectivity; assume greater responsibility in the emerging economic order and transfer benefits to other developing countries in the region. India has announced various connectivity projects in South Asia and beyond but from the strategic perspective the key project would be the development of Andaman and Nicobar Islands as a maritime hub in Bay of Bengal including a dry dock and ship building facility along with setting up of petroleum hub at the Sri Lankan port Trincomalee. After all, India promises to follow a policy of ‘neighbours first’.

India’s encirclement by China with an active assistance of Pakistan cannot be stopped but India as it has been observed is playing its cards well in international diplomacy. She has successfully protected its interests in Bhutan, Bangladesh and Sri Lanka but has definitely lost out to China in Nepal. The worst military stand-off between India and China also came to an end at Doklam.

After refusal to join OBOR, India revealed her own plans to establish connectivity with Central Asia, West Asia, Africa and Europe through Chahbahar port, INSTC and AAGC. Moreover, the shelving of Sonadia port project by Bangladesh and tweaking the nature of usage of Hambantota port by Sri Lanka “serve as a reminder to Beijing that regional and global powers will oppose, perhaps even displace its OBOR-related infrastructure projects with projects of their own, should China’s projects threaten its rivals’ security and other interests” (Ramachandran 2016).

With regard to balance of power in background of India’s encirclement by China, India has pursued to strengthen its strategic partnerships with Japan and the US. However, there cannot be any denying that Asian powers and the US have “different playbooks” whereby “the US wants a unipolar world but a multipolar Asia; China seeks a multipolar world but a unipolar Asia; and India and Japan desire a multipolar Asia and multipolar world” (Chellaney 2016).

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**ABSTRACT**
The OBOR initiative of China often termed as ‘Modern-day Silk Road’ is based on President Xi Jinping’s epic vision to make ‘China Great Again’ by reviving the Silk Route of ancient times. This initiative aims to engage Eurasia economically by creating a network of infrastructure. In this regard, the article attempts to understand the geo-politics behind India’s refusal to join OBOR and strategic response to counter the most appealing economic engagement of the present era but considered to be a debt-trap by India.

**KEYWORDS**
OBOR; China; India; Silk Road.

*Received on April 27, 2018.*
*Approved on July 21, 2018.*